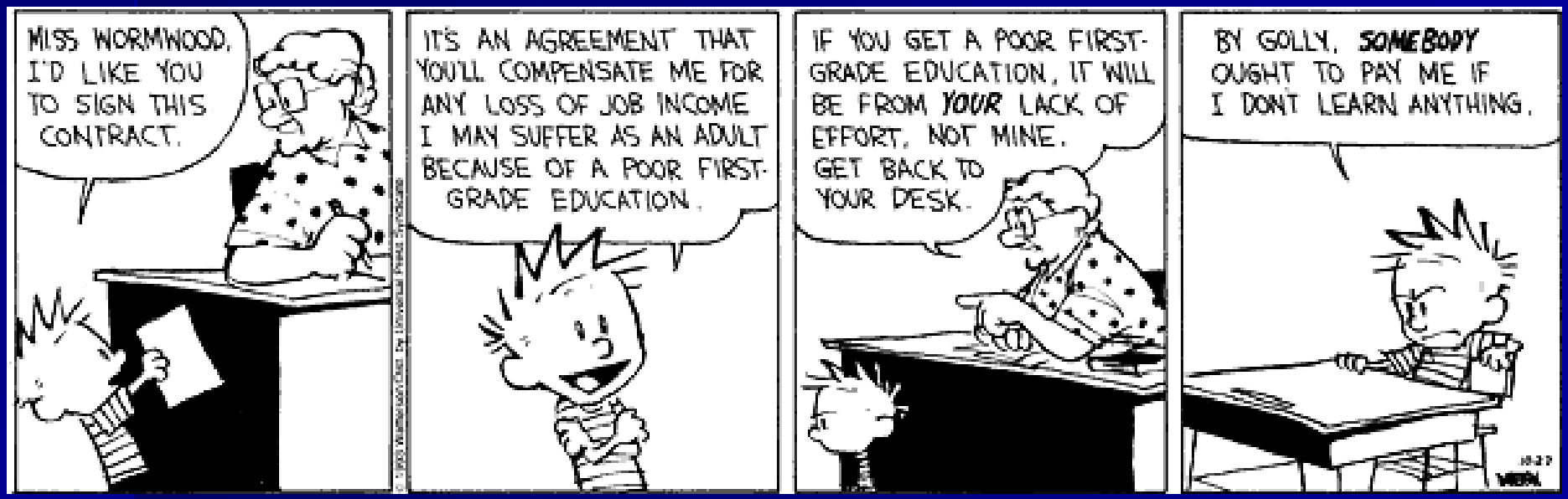
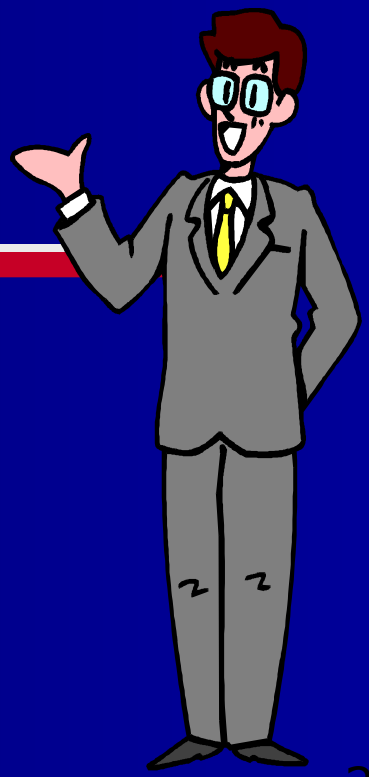
# Performance Based Service Acquisition (PBSA)


Calvin and Hobbes
by WATTERSON
MISS WORMWOOD, I'D LIKE YOU TO SIGN THIS CONTRACT.
IT'S AN AGREEMENT THAT YOU'LL COMPENSATE ME FOR ANY LOSS OF JOB INCOME I MAY SUFFER AS AN ADULT BECAUSE OF A POOR FIRST-GRADE EDUCATION.
IF YOU GET A POOR FIRST-GRADE EDUCATION, IT WILL BE FROM YOUR LACK OF EFFORT, NOT MINE. GET BACK TO YOUR DESK.
BY GOLLY, SOMEBODY OUGHT TO PAY ME IF I DON'T LEARN ANYTHING.

# U.S. Army Medical Command Center for Health Care Contracting

## Performance Based Service Acquisition (PBSA)



Presented By
CPT Kenneth S. Helgren
and Mr. Gil Dvoracek

# References

- USD (AT&L) Policy Letter, 5 APR 05
- DoD PBSA Guidebook, MAR 01
- OFPP Guide to Best Practices, OCT 98
- OFPP Policy Letter, 9 APR 91
- DoD SOW Handbook, 3 APR 96
- ALMC PWS Course Materials
- FAR Part 37
- http://www.fcw.com/fcw/articles/2005/0228/web-burton-02-28-05

# Purpose

- The purpose of PBSA is to strive to adopt the best commercial practices and provide the means to reach world-class commercial suppliers, gain greater access to technological innovations, maximize competition, and obtain the best value to achieve greater savings and efficiencies.

- The purpose of this presentation is to highlight aspects of PBSA; specifically what role we, as contracting professionals, play in the process.

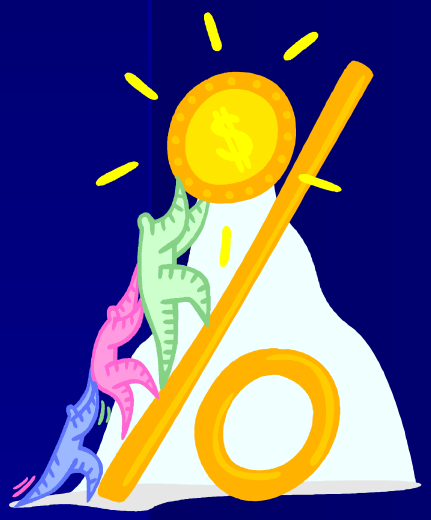
# Agenda

- Policy
- Definition
- Objectives
- Team Approach/Members
- Performance Requirements Analysis
- Performance Requirements Summary
- Performance Work Statement
- Incentives & Remedies
- Contractor Performance Management

# Policy

- OFPP Policy Letter, April 9, 1991
  - It is the policy of the Federal Government that:
    - (1) agencies use performance-based contracting methods to the maximum extent practicable when acquiring services-
    - (2) agencies carefully select acquisition strategies that best accommodate the requirement-
  - Agencies shall justify the use of other than performance-based contracting methods.

# Policy
**(continued)**

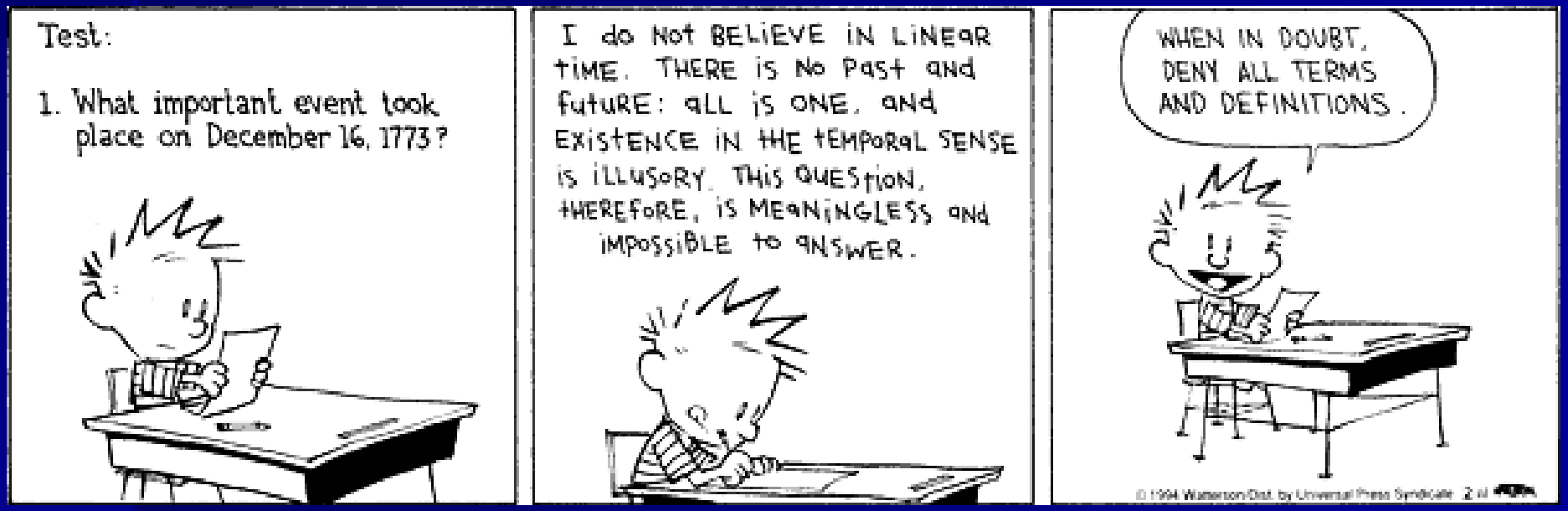


- USD (AT&L) Policy Letter, April 5, 2000
  - It is the policy of the Department of Defense that performance-based strategies for the acquisition of services are to be used wherever possible.
  - The DoD establishes, at a minimum, that 50 percent of service acquisitions, measured in both dollars and actions, are to be performance-based by year 2005.

# Policy
**(continued)**

- In short- PBSA is not a new concept.
- Performance based contracts with measurable standards and other performance based elements were used in the Army for at least 97 years.
  - 10 FEB 1908 contract between US Army Signal Corps and the Wright Bros for the Wright Flyer.
    - Heavier-than-air flying machine at a cost of $25,000.
    - Shall carry two passengers w/combined weight of 350lbs and sufficient fuel for a flight of 125 miles.
    - Shall have a speed of at least 40 mph. 10% incentive/remedy for each mph above/below 40.
    - Flyer averaged 42.5 mph = $30,000 or $5,000 incentive.

# Definition


Test:
1. What important event took place on December 16, 1773?
I do not BELIEVE IN LINEAR TIME. THERE is No Past and future: all is ONE, and EXISTENCE IN THE TEMPORAL SENSE is ILLUSORY. THIS QUESTION, THEREFORE, is MEANINGLESS and IMPOSSIBLE to ANSWER.
WHEN IN DOUBT, DENY ALL TERMS AND DEFINITIONS.
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# Definition

- PBSA involves strategies, methods, and techniques that describe measurable outcomes rather than direct performance processes.
- Simply stated-a method for acquiring ***what is required*** and placing the responsibility for ***how it is accomplished*** on the contractor.

# Definition
**(continued)**

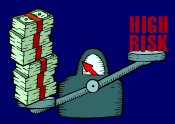
- To be considered performance based, an acquisition should contain the following:
  - Performance Work Statement (PWS).
  - Measurable performance standards.
  - Incentives/Remedies.
  - Performance Assessment Plan (PAP)
    - Also referred to as a Quality Assurance Plan (QAP) or Quality Assurance Surveillance Plan (QASP).

# Objectives

- Maximize performance.

- Maximize competition and innovation.

- Encourage use of commercial services.




- Shift risk.

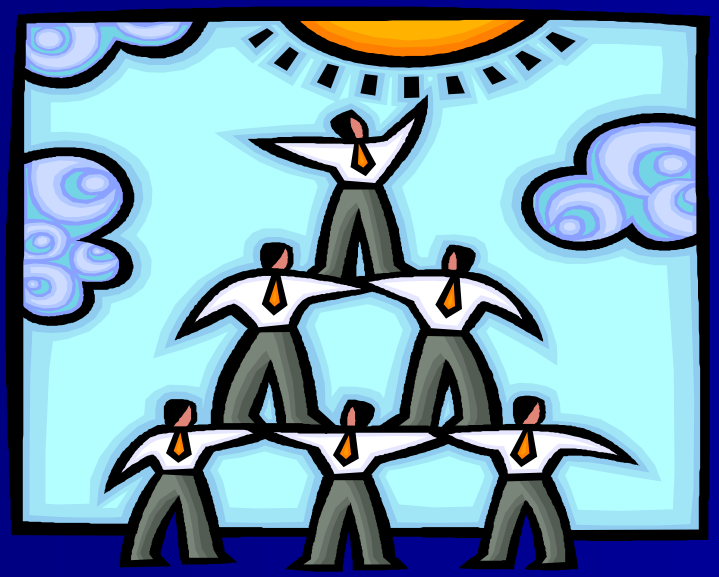
- Achieve savings through best value.

# Team Approach

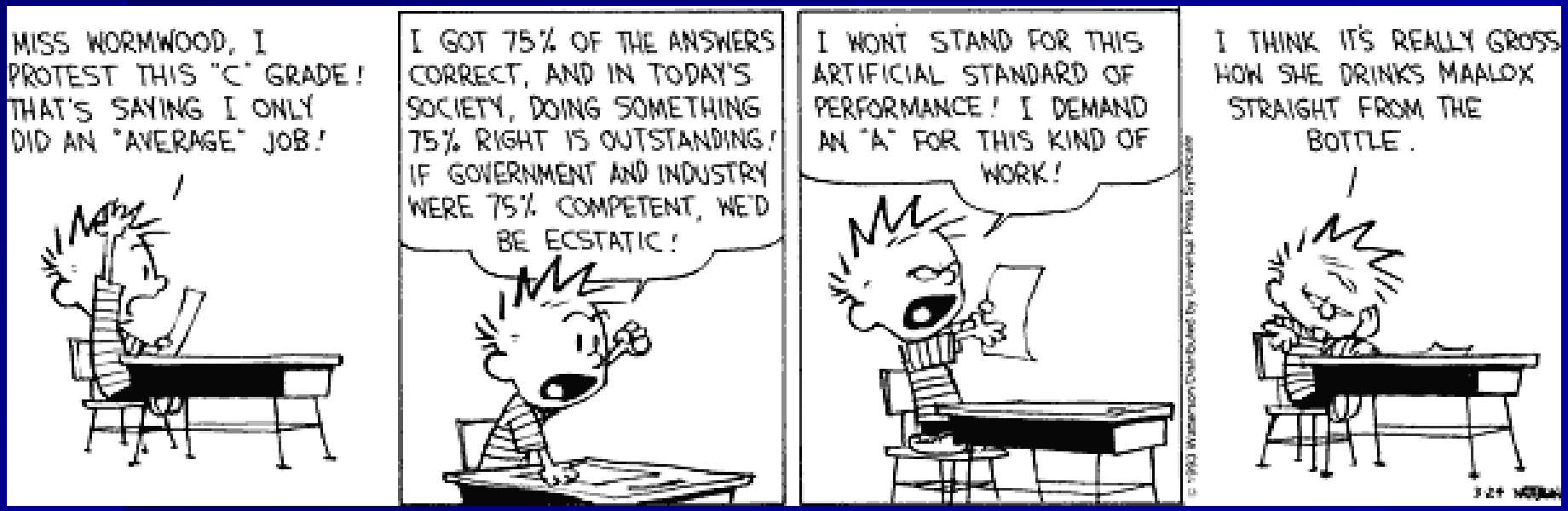
- Customer focused & multifunctional.
- Involvement throughout life of requirement.
- $ not the only factor determining effort.
  - Complexity.
  - Criticality to customer.

# Team Members

- Customer/User.
- Technical Specialist, PM.
- KO & KS.
- Cost/Price Analyst.
- PAP/QAP.
- SADBU Specialist.
- RM.
- Legal.
- Others (DLA, DCAA etc.)



# Performance Requirements Analysis


MISS WORMWOOD, I PROTEST THIS "C" GRADE! THAT'S SAYING I ONLY DID AN "AVERAGE" JOB!
I GOT 75% OF THE ANSWERS CORRECT, AND IN TODAY'S SOCIETY, DOING SOMETHING 75% RIGHT IS OUTSTANDING! IF GOVERNMENT AND INDUSTRY WERE 75% COMPETENT, WE'D BE ECSTATIC!
I WON'T STAND FOR THIS ARTIFICIAL STANDARD OF PERFORMANCE! I DEMAND AN "A" FOR THIS KIND OF WORK!
I THINK IT'S REALLY GROSS HOW SHE DRINKS MAALOX STRAIGHT FROM THE BOTTLE.

# Performance Requirements Analysis

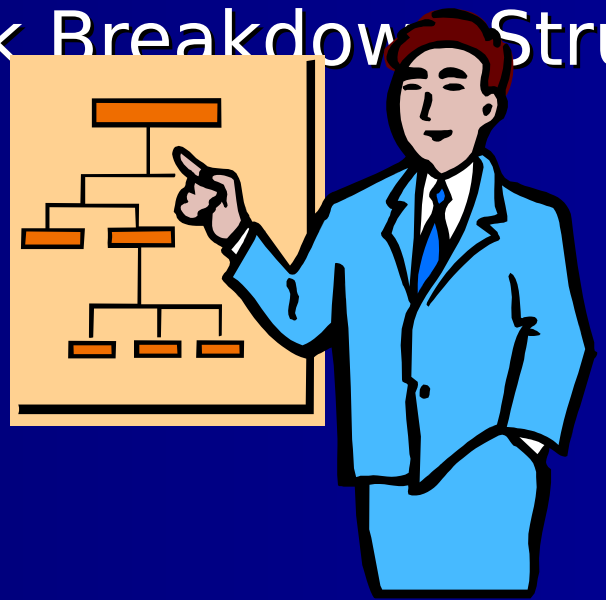
- Three step process:
  - Define the desired outcome.
    - What must be accomplished to satisfy requirement?
  - Conduct an outcome analysis.
    - What tasks must be accomplished to arrive at the desired outcomes?
  - Conduct a performance analysis.
    - When or how will I know when the desired outcome is satisfactorily achieved?
    - How much deviation from the standard is acceptable?

# Performance Requirements Analysis Step 1

- Define the desired outcome.
  - Brainstorm with customer/user.
  - Determine dependent variables.
    - What, when, where, who, quantity, quality, etc.
  - Review previous requirement.

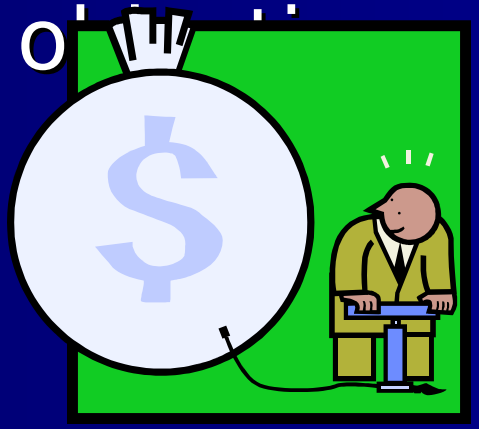
# Performance Requirements Analysis Step 2

- Conduct an outcome analysis.
  - What tasks must be accomplished?
  - What are the performance objectives for those tasks.
- Completing a Work Breakdown Structure (WBS) is helpful.



# Performance Requirements Analysis Step 2 Tips

- Performance objectives not required for every task (especially at lower levels).
- Ensure each performance objective is necessary and carefully chosen.
- Restrictive o[illegible] will increase price.



# Performance Requirements Analysis Step 3

- Establish performance standards based on the objectives established in Step 2.
- Establish Acceptable Quality Levels (AQLs) for these standards.
  - How much deviation from the standard is acceptable?
  - AQLs are the minimum acceptable level
  - Normally stated as a % or # of deviations.
  - Not all standards will have AQLs.
  - No AQL=no deviation from the standard allowed!

# Performance Requirements Analysis Step 3 Tips

- Ensure AQLs are realistic & attainable.
- Unnecessarily high AQLs (100%) will increase the $.
- For critical tasks, 100% may be acceptable if attainable.
- Unusually low AQLs act as a disincentive.
- There may be a commercial performance standard established (consider using).

# Performance Requirements Summary

- Snapshot of the performance requirements analysis.

- Capture only the essential elements of the requirement (be brief).
- Baseline for Performance Work Statement (PWS).
- PRS explained in detail in a properly prepared PWS.

# Performance Requirements Summary Sample

Sample

**PERFORMANCE REQUIREMENTS SUMMARY**

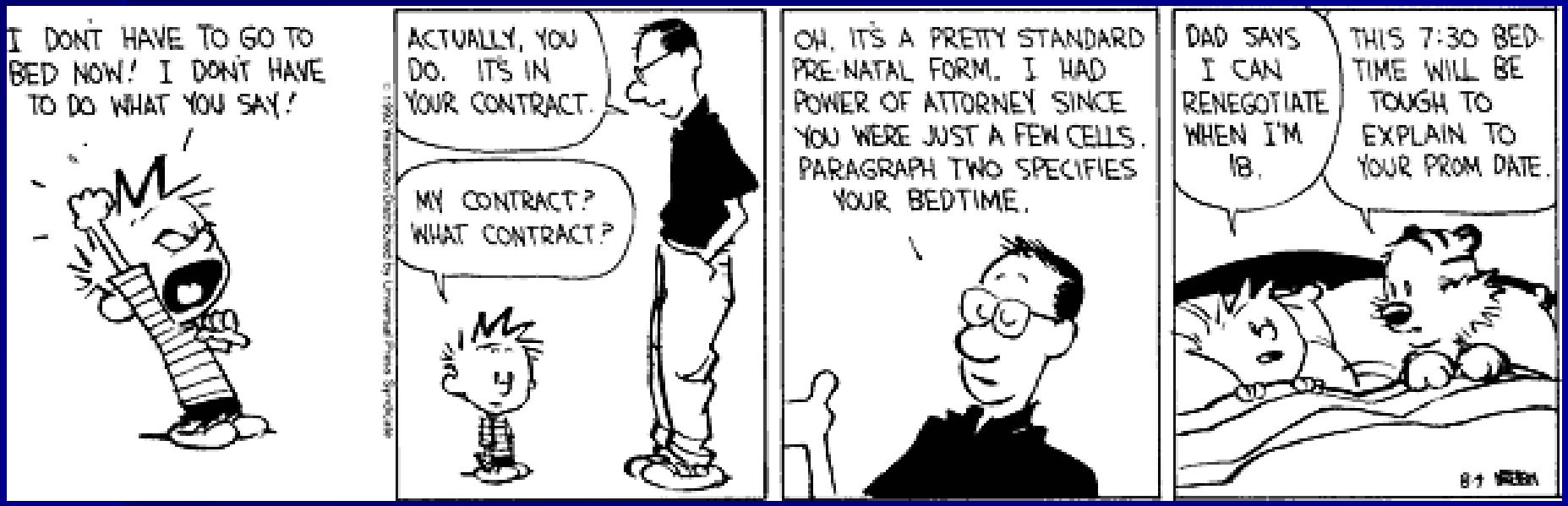
For use of this form, see AR 5-20; the proponent agency is ACSIM.

| REQUIRED SERVICE | PARAGRAPH NUMBER | STANDARD | MAXIMUM ALLOWABLE DEGREE OF DEVIATION FROM REQUIREMENT *(AQL)* | METHOD OF SURVEILLANCE | THE PROPORTION OF REQUIRED SERVICE TO TOTAL CONTRACT PRICE |
|---|---|---|---|---|---|
| Provide qualified Family Practice Physician. | PWS 3.3.2.4 | Provide qualified Family Practice Physician on required start date. | No more than X days late. | Observation by COR. | X% reduction in invoice for CLIN 000X for first full (30 day) monthly invoice. |
| Provide qualified Family Practice Physician. | PWS 3.3.2.4 | Provide qualified Family Practice Physician on required start date. | Each X days prior to required date. | Observation by COR. | X% increase in invoice for CLIN 000X for first full (30 day) monthly invoice for each 5 day period prior to required date. |
| Provide quality Family Practice Medicine Services. | PWS 3.3.5.2 | Provide Family Practice Medicine Services without substantiated customer complaints at XYZ MTF. | No more than X substantiated complaints per X Days. | Customer Survey cards or other documented complaints. | X% reduction in invoice for CLIN 000X for monthly invoice following month in which substantiated complaints confirmed. |

DA FORM 5473-R, NOV 85

USAPA V1.00

# Performance Work Statement


I DON'T HAVE TO GO TO BED NOW! I DON'T HAVE TO DO WHAT YOU SAY!
ACTUALLY, YOU DO. IT'S IN YOUR CONTRACT.
MY CONTRACT? WHAT CONTRACT?
OH, IT'S A PRETTY STANDARD PRE-NATAL FORM. I HAD POWER OF ATTORNEY SINCE YOU WERE JUST A FEW CELLS. PARAGRAPH TWO SPECIFIES YOUR BEDTIME.
DAD SAYS I CAN RENEGOTIATE WHEN I'M 18.
THIS 7:30 BED-TIME WILL BE TOUGH TO EXPLAIN TO YOUR PROM DATE.

# Performance Work Statement

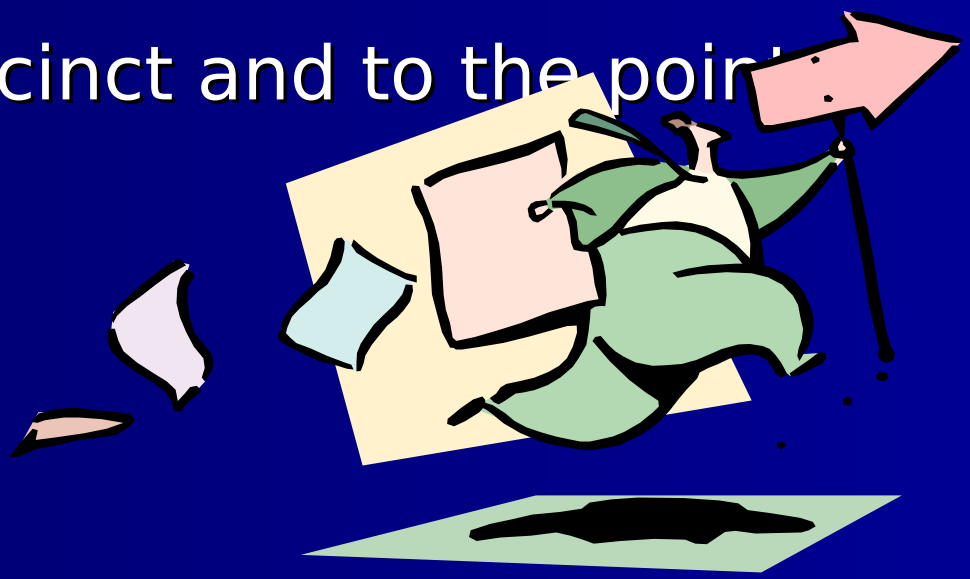
- Elaborates on the PRS contents.
- Describe requirements so potential offerors understand from their perspective.
- Ensure offerors can easily determine what is necessary t accomplish the requirement.

# Performance Work Statement Sample Format

1. Introduction.
2. Scope of Work.
3. Requirements/Performance Standards.
4. Contract Deliverables.
5. Data Requirements (CDRLs etc.).
6. Attachments, Appendices, Exhibits.
7. Special Terms and Conditions.

# Performance Work Statement Sample Format

1. **Introduction.**
   - Describes goals, previous problems encountered and necessary interface.
   - Keep succinct and to the point!



# Performance Work Statement Sample Format

## 2. Scope of Work.

- Summary section that describes purpose and desired outcome/results.
- Established general requirements such as:
  - Place of performance.
  - Work hours.
  - Applicability of relevant Acts (Service Contract Act).

# Performance Work Statement Sample Format

**3. Requirements/Performance Standards.**

- Textual form of the PRS.
- Contains the greatest detail.
- Clearly define magnitude, quality and scope of each outcome.
- Specify required standards.
- Include historical data relevant to process improvement.

# Performance Work Statement Sample Format

## 4. Contract Deliverables/Schedule.

- Provide realistic delivery schedule.
- Provide sufficient detail for Contractor to establish milestones for deli[illegible]les so progress may be measu[illegible]

# Performance Work Statement Sample Format

**5. Data Requirements (CDRLs etc.).**

- Not generally used in CHCC.

# Performance Work Statement Sample Format

## 6. Attachments, Appendices, Exhibits.

- Team should have screened relevant directives.
- Only include/reference that portion of the directive applicable to requirement.
  - Otherwise compliance with all is inferred.
  - If it conflicts with requirement, undesirable consequences may result.
- Few directives should be referenced.
  - Only include those vital (quality standards or statutory requirements).
- If you specify “how to” in the context of a referenced regulation, the Government assumes outcome responsibility.
- Include date/version of referenced document and where it is available if not included.

# Performance Work Statement Sample Format

## 7. Special Terms and Conditions.

- Generally used for local procedures/clauses.
  - e.g. Security Requirements

# Performance Work Statement iMAP Format

1. General (12+ pages-1.1 through 1.12).
2. Definitions/Acronyms.
3. Government Furnished Property/Services.
4. Contractor Furnished Supplies/Services.
5. Specific Tasks (refers to task order PWS).
6. Applicable Regulations and Manuals (contains a list of 20 mandatory, 2 advisory and 38 individual forms).

# Performance Work Statement Editing Tips

IF YOU DO THE JOB BADLY ENOUGH, SOMETIMES YOU DON'T GET ASKED TO DO IT AGAIN.
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# Performance Work Statement Editing Tips

- Use active voice rather than passive voice.
- Clearer and more direct.
- Subject performs rather than receives action.
- Example:
  - Passive-Trash containers shall be emptied twice a week. (Who does it-Gov't or Ktr)
  - Active- The Contractor shall empty trash containers twice a week.

# Performance Work Statement Editing Tips (continued)

- Avoid using ambiguous terms and phrases.
- Minimize excessive punctuation.

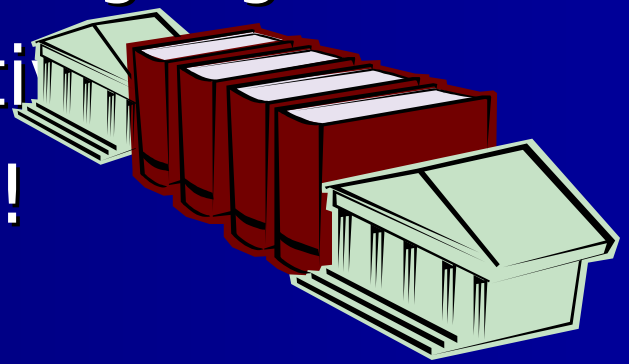
- Government “will” & Contractor “shall”.
- Keep sentences short and to the point.
- Minimize the use of abbreviations and acronyms (multiple meanings).
  - If used spell out with first use and include list if appropriate.

# Performance Work Statement Editing Tips (continued)

- Phrases to avoid:
  - To the satisfaction of the contracting officer,
  - As determined by the contracting officer
  - As directed by the contracting officer
- Implies more, undefined requirements exist.

# Performance Work Statement Editing Tips (continued)

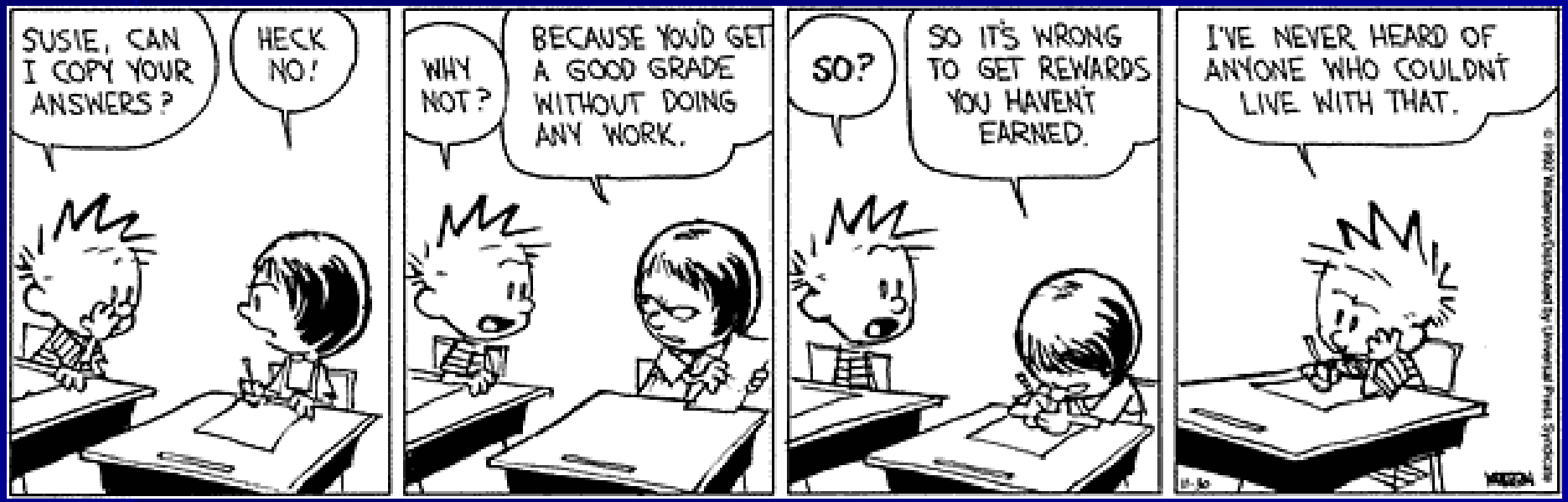
- Other phrases to avoid:
  - In accordance with best commercial practice.
  - In accordance with published specifications.
  - In accordance with governing regulations.
- “According to” is the acti
- Specify the requirement!



# Performance Work Statement Review Considerations

- Are offerors able to prepare sound technical and cost proposals based on the content?
- Are outcomes clearly stated?
- Are tasks realistic/performable?
- Are standards clearly identified?
- Are quantities and/or /delivery dates attainable?
- Are government/industry standards or other documents properly citied?

# Incentives


SUSIE, CAN I COPY YOUR ANSWERS?
HECK NO!
WHY NOT?
BECAUSE YOU'D GET A GOOD GRADE WITHOUT DOING ANY WORK.
SO?
SO IT'S WRONG TO GET REWARDS YOU HAVEN'T EARNED.
I'VE NEVER HEARD OF ANYONE WHO COULDN'T LIVE WITH THAT.

# Incentives

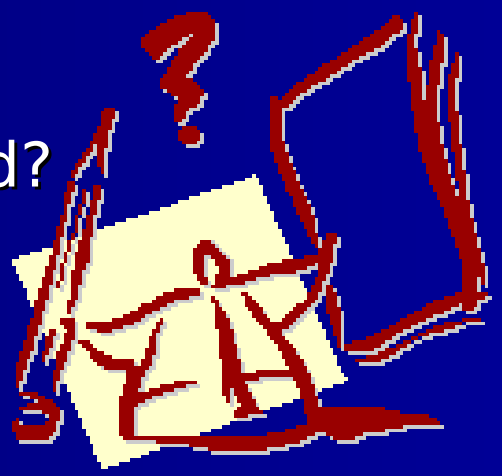
- Not unique to performance based contracting.
- Contracts, by nature, motivate performance.
- If KTR doesn’t perform, they don’t get paid.
- Incentives may be monetary or non, + or -.
- Can be based on cost, schedule, quality.
- Goal is to encourage their very best effort.
- Are an essential element to PBSA.

# Incentive Types

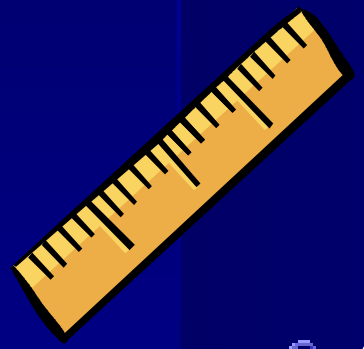
- Some examples include:
  - Award-term Contract Arrangements.
    - Current iMAP contracts.
  - Schedule incentives (exceeding milestone).
    - For placing HCP within X days.
  - Past Performance.
    - Current method most often used in CHC

# Incentive Considerations

- Will enhanced performance provide added value?
- Which areas of the requirement would benefit most from enhanced performance?
- How much is the agency willing to pay to achieve a higher level of performance?
- Which type incentive is preferred?
- Is the incentive affordable?



# Incentive Tips



- Ensure included incentives ar
  - Realistic.
  - Measurable.
  - Attainable.
  - Based on performance standard
- Contractors will not spend a dime

to earn a nickel!

# Remedies

- Performance based contracts should have remedies for when services are not performed to standard.
  - May be a reduction in price.
  - Liquidated Damages Clause.
  - Negative Past Performance (appraisal).
- Bottom line-Government should not pay for substandard services or services not rendered.

# Contractor Performance Management

HERE'S THE LATEST POLL ON YOUR PERFORMANCE AS DAD. YOUR APPROVAL RATING IS PRETTY LOW, I'M AFRAID.
THAT'S BECAUSE THERE'S NOT NECESSARILY ANY CONNECTION BETWEEN WHAT'S GOOD AND WHAT'S POPULAR. I DO WHAT'S RIGHT, NOT WHAT GETS APPROVAL.
YOU'LL NEVER KEEP THE JOB WITH THAT ATTITUDE.
IF SOMEONE ELSE OFFERS TO DO IT, LET ME KNOW.
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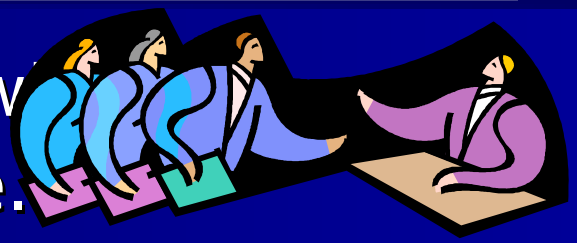
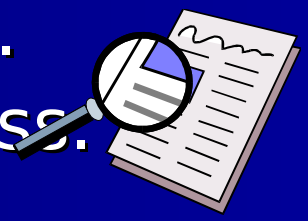
# Contractor Performance Management

- Term “Quality Assurance” does not capture essence of PBSA.
- In PBSA, KTR is contractually responsible for quality assurance and further motivated by incentives.
- What the government does is more accurately referred to as “Performance Assessment”.
- In PBSA, the term “Performance Assessment Plan (PAP)” replaces the QAP or QASP.

# Performance Assessment Plan

- Describes how government w
assess contractor performance.
- Based on premise that the contractor, not government, is responsible for ensuring the quality meets terms of the contract.
- Should be developed with PWS and provided with contract.
- For every performance objective, determine one or more methods of assessment.
- Should outline the acceptance process.





# Performance Assessment Plan Suggested Outline

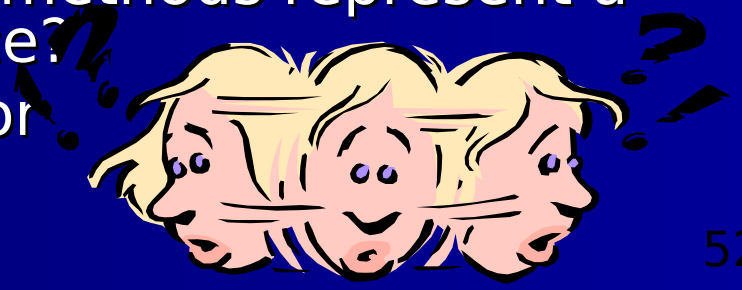
- Purpose.
- Roles and responsibilities.
- Procedures.
- Methods of assessment.
- Successful performance and remedies.
- Certification of services.
- Sample of contract discrepancy report.
- Customer complaint procedures instructions.
- Acronyms and other abbreviations.

# Assessment Methods

- Several methods may be used:
  - *Random Sampling* -assumes acceptable performance if a given % are acceptable.
  - *Periodic Sampling* -similar to random but planned at specified intervals.
  - *Customer Feedback* -should supplement other methods. May be subjective.
  - *Trend analysis* -use regularly to assess on-going performance.

# Assessment Method Considerations

- What is the most effective way to assess the contractor's performance outcome?
- How critical is this particular task to the requirement?
- Is performance assessment critical to the particular task (is it is worth the time and effort)?
- How frequently should the performance assessment take place?
- Are there enough evaluators to carry out the degree of evaluation contemplated?
- Do the proposed evaluation methods represent a common commercial practice?
- Is re-performance practical or reasonable?



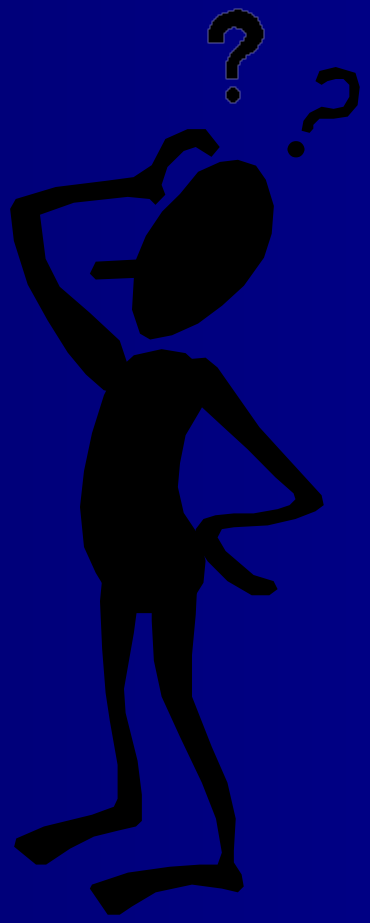
# Performance Assessment Plan Tips

- Employ a variety of methods.
- Degrees of assessment based on the criticality of the service and the resources available.
- Methods and degrees of assessment may change over time.

# Review

- Policy, Definitions and Objectives
- Emphasis on Team Approach
- Performance Requirements Analysis
- Performance Requirements Summary
- Performance Work Statement
- Incentives & Remedies
- Contractor Performance Management

# Questions



# Conclusion

*Efficient and effective buying practices, such as PBSA, will help leverage limited resources in order to meet the many difficult challenges the Department of Defense faces.*

*USD (AT&L), 02 Jan 01*